

“NOBLE DREAMS AND FISCAL REALITIES:  
FRAMING STRATEGIC REDIRECTION POLICY  
IN TIMES OF RETRENCHMENT”

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## **“NOBLE DREAMS AND FISCAL REALITIES: FRAMING STRATEGIC REDIRECTION POLICY IN TIMES OF RETRENCHMENT”**

### **INTRODUCTION**

The coming decade for higher education in the United States is one of unprecedented opportunity coupled with significant leadership, policy, and fiscal challenges. The period of prosperity of the 1990's has passed and has been replaced by fiscal uncertainty that parallels the “doom and gloom” era of the 1980's. Changing financial and political support for higher education in the early 2000's heralded the need for strategic redirection for American higher education. As a result of declining trends in state appropriations, parents and students have become responsible for funding a larger share of the support for higher education. Because of a myriad of environmental factors such as rising health care and social services costs, American colleges and universities are no longer among the primary priorities of state legislatures. Scholars content that higher education has reached a tipping point (Conklin, 2002) and the traditional means of doing business, unilateral growth, is at question. As states begin to place an increased emphasis on performance, accountability has become the dominant paradigm of educational/legislative relations (Burke and Mondarresi, 2000).

The golden age of expansion in American higher education may have come to a close, but only after 40 years of significant investment. As Bogue and Aper (2000) note, the number of faculty has grown from 250,000 in 1950 to more than 600,000 in the 1990's. A snapshot of financial records would reveal that educational expenditures for higher education as a percentage of gross national product grew from 1% in 1950 to 2% in the 1990's. Income for higher education grew from almost \$2.5 billion in the 1950's to almost \$200 billion in the mid-1990's. While this investment is pronounced, a series of perplexities confront the nation's colleges and universities. Because of unstable fiscal conditions across each of the 50 states (Boyd, 2002) public systems of higher education are no longer able to sustain this growth. Consequently, the pursuit of student-generated revenue and other revenue sources now plays a significant role in shaping the mission and operating principles of higher education.

This shift in the funding responsibility from state appropriations to student tuition has not been the result of a well planned or thoughtful policy discourse in many states (Callan, 2002). Given the critical role that higher education plays as a facilitator of human capital development, as an instrument of economic development, and as a guarantor of civic literacy and democratic principles, there is a need for fresh and determined policy perspective among civic, corporate, academic and political leaders. Over the past five years, a variety of national reports and media releases have detailed the financial difficulties facing states and colleges. From California to Florida states are struggling with difficult policy choices, and retrenchment has once again become a familiar buzzword. Elected officials, policymakers and educators are struggling with many of the following tensions and challenges: <sup>1</sup> many if not most states are facing serious revenue downturns and in the competition of state priority allocations, higher education has not enjoyed a high priority position relative to other state needs; <sup>2</sup> support for full-time students provided by state appropriations has declined significantly over the past two decades, while the percentage paid by student fees continues to climb faster than inflation; <sup>3</sup> the combination of increasing student fees and federal financial aid policy accenting loans constitutes an important burden on access for low and middle income families; and <sup>4</sup> at the same time that state support is declining, most states face the possibility of increasing access demand as a result of a growing graduation rates from secondary schools and need to increase the number of bachelor's degree holders. In sum, while the pressure for access is boundless, states tax coffers have not been able to keep pace (Boyd, 2002) and retrenchment has returned to the lexicon of higher education. As a result, colleges and universities are being asked to do more with less, examine institutional spending priorities, and make strategic cuts in programmatic areas.

What social, economic, and demographic factors prompt retrenchment? Experience has shown that declining enrollment and operating deficits most often prompt retrenchment (Chabotar and Honan, 1990). Such initiatives represent a rational response to increased costs associated with academe and decreased state support (Leslie and Ramey, 1986). These policies are general centered on the goals of cost containment, mission re-classification, improved operating efficiencies, and resource re-allocation (Appelbaum and Patton, 2002). Such policies are driven by the realization that institutions are limited by financial shortcomings and

therefore are not able to meet the diverse demands of students, faculty, and administrative policy preferences (Chabotar and Honan, 1990).

This research centers on the formulation, reception, and revision of retrenchment policies designed in one state, Tennessee, to deal with the clash of educational needs and declining fiscal resources and to establish policy priorities for the deployment of state resources in service to state goals. The case study describes the principles that undergird initial policy formation at the state level, the reception accorded to the policy ideas by both academic and political officers, the redesign and revision of initial policy ideas, the complex interaction of academic and political voices, and the continuing search for policy partnership in the state.

### **THEORETICAL FRAMEWORK**

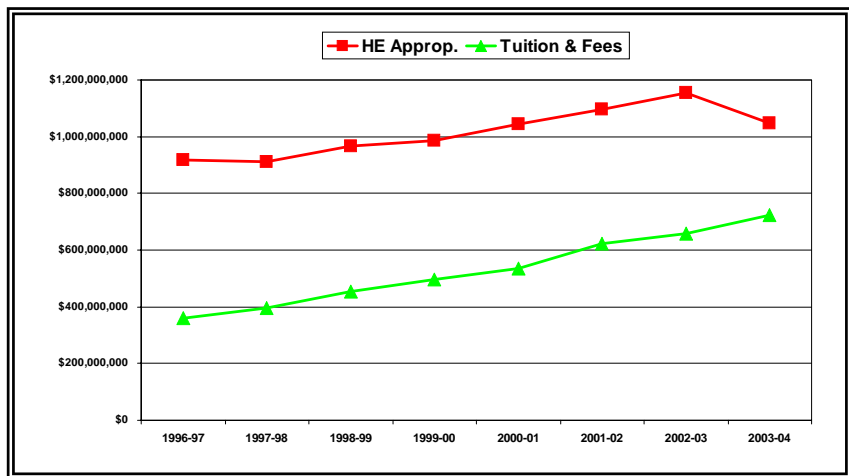
The current recession presents a series of challenges for higher education. During periods of economic downturn, higher education is one of the primary targets of state legislatures as a result of its perceived budgetary flexibility. Because higher education is funded in a lump sum fashion and has a unique funding source in student fees, it has historically absorbed a disproportionate share of budget cuts as state economic conditions fluctuate. Consequently, academia may now be at the tipping point (Concklin, 2002) and retrenchment initiatives have once again become a significant issue for American colleges and universities.

From the 1970's forward there has been a considerable amount of writing on the dynamics surrounding the under-funding of higher education and retrenchment from its once broad scope and mission (Gove, 1971; Mingle, 1982; Cameron, 1983; Ashar & Shapiro, 1990; Raths, 1991; Wood & Valenzuela, 1996; Callan, 2002). Shrinking state fiscal and political support was identified in the middle 1980's and continued through the decade of the 1990's (Wood & Valenzuela, 1996; Callan, 2002). Higher education is currently one of many sectors of state government vying for increased funding during a time when more is expected of many areas of government. As far back as the early 1970's, higher education was predicted to fall in line with other divisions of state government in having to fight for their piece of dwindling state resources (Gove, 1971). Increases in demand for public services have fueled the growth in state expenditures

in the last thirty years. Bonser, McGregor, & Oster (1996) stated that some of the reasons for the increase in demands on state coffers are demographic changes, growing populations, income growth, income redistribution, and risk aversion. Mills (1999) points to rapid pace of change faced by higher education in such areas as information technology, restricted funding, expansions in the economy, and multiple stakeholders as the driving forces behind challenges facing higher education and other public sectors.

### ***The Link between Fiscal Conditions and Retrenchment***

The investment that federal, state, and local governments have made in American higher education is significant. Government agencies appropriate more than \$200 billion for higher education annually, yet they are investing a lower percentage of public funds on academia than 10 years ago, even though enrollments have increased significantly. Clearly, states are paying a smaller share and students are absorbing more of their educational expenses. The following chart details this shift in Tennessee from 1996–2003. During this period, appropriations for higher education increased 13 percent, while tuition and fees increased 102 percent.



The inevitable result of such funding instability is pressure to downsize and initiate retrenchment policies (Chabotar and Honan, 1990). While the demand for higher education remains strong, governments are slashing their funds for higher education and the public is demanding stronger accountability for their tax dollars (Applebaum and Patton, 2002). As other state entities are forced to downsize, higher education cannot expect to escape pruning; legislators, foundations, parents, and donors are demanding more of institutional leaders to downsize and increase productivity (Hollins, 1992; Applebaum and Patton, 2002). For many internal and external benefactors of higher education, retrenchment initiatives represent a rational response to increased costs associated with academe and decreased state appropriations (Leslie, 1990).

Such policies are driven by the realization that the “supermarket” model of offering every major, often of spectacularly varying quality, is slowly being replaced on many campuses by a more selective “boutique” model that concentrates on those majors that an institution can adequately support (Chabotar and Honan 1990). At their core, retrenchment decisions present institutions with an opportunity for mission re-examination and specificity (Zemsky and Massey, 1990). Discussions of protecting academic integrity and quality are often at the center of public debate. However, administrators rarely differentiate between the strategic goals of retrenchment and the tactical measures by which mission re-classification are actualized (Dunn, 1992). Strategic issues are generally mission oriented and involve the coordination of the philosophic foundations of organizations. Because discussions of strategic issues are highly normative, they require considerable investments of time and administrative energy before implementation. Tactical issues are the specific measures through which retrenchment plans are operationalized. These issues are generally centered on the discussion of increased productivity through increased student faculty ratios and the termination of low producing programs (Volkwein, 1984; Ashar and Shapiro, 1990; Gumport, 1993; Eckel, 2002). Generally, efficiencies in productivity do not equate to cost savings; resources produced are redirected towards existing departments and faculty to restructure the academic core of the institution.

One of the primary difficulties faced by academic administrators as they attempt to downsize is that the bulk of their institutional operating budgets are subsumed by personnel costs (Brinkman, 1992). Higher education is a labor intensive enterprise and any significant downsizing effort must eventually result in faculty downsizing. Discussions of departmental closures and faculty terminations occur in highly controversial and politicized environments (Volkwein, 1984; Gumport, 1993; Eckel, 2002). Institutions and states that engage in these activities must ensure that reduction and re-allocation fulfill two goals: the protection of the academic core and the protection of institutional integrity. Decision-makers must be mindful of the past and ensure that they do not fall victim to the political pressures of the future. Policymakers must ensure that campuses are allotted maximum fiscal and institutional autonomy during retrenchment (Gumport, 1993; Eckel, 2002). Campuses cannot be expected to engage in academic pruning if they do not first enjoy autonomy to identify targets and to return identified resources for internal reallocation.

Experience has demonstrated that successful retrenchment initiatives are aimed at resources reallocation rather than cost savings and budgetary reversions (Mingle, 1982).

In general, those institutions that engage in activities that strengthen a set of core programs to develop market niches are better able to recover from retrenchment periods than those that engage in enrollment growth to cover revenue loss (Leslie and Ramey, 1986). While enrollment growth produces short-term revenue gains through student fees, such growth further taxes the physical and fiscal abilities of institutions to meet the diverse needs of a growing student population. Rather than thinning the soup, institutions can no longer expand indefinitely and expect an ever-increasing share of state and federal budgets (Slaughter, 1993). As noted by Leslie and Ramey (1986), given the political winds of the day, the institution that reduces enrollment in a well publicized quest for quality probably will gain a superior financial position over the colleges that continue to pursue quantity.

### ***The Role and Impact of Governance***

Historically, states have turned to governing and coordinating boards to address challenges of program and public priorities. These boards originally grew out of state government's desire for a rational system of postsecondary education delivery (Moos & Rourke, 1959; Graham, 1989; Marcus, 1997). Grown weary of multiple lobbying voices from presidents and other campus stakeholders/advocates, legislatures and governors yearned for a referee in the fight for public resources and for some sense of planning, purpose, and priority in the development of higher education programs and services (Marcus, 1997; McLendon, 2003). As early as the 1960's governors and legislators began to utilize these entities to exert control over institutions through master planning, fiscal allocation, and quality assurance policies (McGuinness, 1997). Governors and legislators began expecting these higher education boards to exercise greater oversight and performance accountability, from both efficiency and effectiveness perspectives (Millett, 1984; Graham, 1989).

These governance entities have historically played a significant role in defining state priorities for higher education. While no two governing entities are identical, they do share a general set of powers and responsibilities (Glenney, 1959; Moos & Rourke, 1959; Brubacher & Rudy, 1976; McLendon, 2003b). Furthermore, these entities are generally categorized into four basic models (Paltridge, 1965; Berdahl, 1971;

Millett, 1984; Volkwein, 1987; McGuinness, 1995; Richardson et al., 1999; McLendon, 2003b). The categorization is significant because governance systems have pronounced impacts on institutional autonomy. The planning agency model provides the greatest amount of institutional autonomy based on the limited regulatory powers of the statewide board whose primary function to provide statewide planning and coordination without the authority to compel institutions to follow suit. The advisory coordinating board model is only slightly more centralized whereby the statewide board serves in a review and recommendation capacity with little (if any) statutory authority. The regulatory coordinating board model is similar to the advisory board, but has the power to approve institutional budgets and programs. In practice, many states with a coordinating board structure serve in an advisory capacity for budgets and regulatory capacity for programs. Finally, the consolidated governing board model is the most centralized with the statewide board serving in a regulatory capacity for the entire system and with governance power at each institution (Berdahl, 1971; Carnegie Commission on Higher Education, 1973; Carnegie Foundation for the Advancement of Teaching, 1976; Hearn & Griswold, 1976; McGuinness, 1995; Zumeta, 2001; McLendon & Ness, 2003).

Research has demonstrated that the shape and form of state governance have a myriad of impacts on higher education policy (Marcus, Pratt, and Stevens, 1997; Richardson, Bracco, Callan, and Finney 1999; Lowry, 2001; Martinez, 2002). Structure has been determined to impact tuition and fees rates and formulation (Toma, 1990; Hearn, Griswold, and Marine, 1996), state funding levels (Lowry, 2001a; Lowry 2001b; Nicholson-Crotty and Meier, 2003) and policy innovation (Hearn and Griswold, 1994; McLendon, Heller, and Young 1999).

Regardless of the individual structure employed, today, as in past years, one of the central governance issues for most every state, and one featured in a recent issue of *Policy Perspectives* (2002) is that state interests and campus interests are not necessarily one and the same. However, it is a far different governance and leadership challenge to manage priorities in times of growing resources than in a time of declining state support. The problem with these governing and coordinating entities is that in many states the ability to frame policy partnerships is rendered more difficult by the form, membership, and political relationships of governance structures. Such governance liabilities often portend a declining power to



oversee or contain the growth and ambitions of campuses and attend to state-wide policy needs (Callan, 2002). Any attempt to confine the aspirations of a campus is seen as a threat to the economic welfare of a region and/or to the institution itself, because there is no well defined or defended state policy on policy goals and campus missions. In such cases, states simply “ooze to the future” without clear policy commitment. Practice proceeds in absence of policy as states muddle through the decision making process (Lindbloom, 1959).

## **METHODS**

This paper utilizes a case study framework (Yin 1994) and relies upon elite interview data, document analysis, and archival sources to examine the manner in which retrenchment decisions are made at the campus and coordinating board levels. This study focuses specifically on Tennessee, and examines the means through which policymakers in that state approached many of the fiscal difficulties presently affecting many states across the nation. Through a series of elite interviews, the study reveals campus reactions to the different policy levers that the state coordinating board used to cope with austere fiscal conditions. The authors chose to focus intensively on Tennessee because its fiscal difficulties are systemic (Boyd, 2002), and because the state coordinating board was proactive in the manner in which it dealt with budget shortcomings.

Because the various policy components of this case are familiar to the authors as Tennessee residents and staff members of the state’s coordinating board, we analyze the case as participant observers (Erlandson et al, 1993; Lincoln and Guba, 1985). This unique opportunity to observe the deliberations provided the authors access and understanding of the context and setting in which the process took place. Undoubtedly, this dual role as participant observers influences, and perhaps, biases our findings. We present our interpretations of the policy process grounded in relevant theory for readers to determine its trustworthiness (Lincoln and Guba, 1985).

Using interview data, meeting notes, document analysis, and archival sources, we conducted a detailed study of the policy process for the creation of the retrenchment policy in Tennessee. Field data were collected from Tennessee Higher Education Commission meetings, campus hearings, and General Assembly committee and subcommittee meetings. Committee deliberations, as well as testimony from higher

education officials, were recorded using audio tape and written observational notes. Additionally, the authors analyzed written documents, such as policy proposals, Tennessee Higher Education Commission (THEC) memoranda, and research reports. To gain a wide range of perspectives, the authors conducted semi-structured elite interviews with three campus administrator, three state higher education leader, three governing board officials, and four university presidents. All interviews sought to build on consistent themes yet were open enough to allow for emergent design (Spradley, 1979; Rubin and Rubin, 1995). Finally, the study considers newspaper accounts of the policy process as a means to triangulate sources to bolster trustworthiness (Lincoln and Guba, 1985).

Following protocol outlined by Strauss and Corbin (1998), open-coding was conducted on interview data, meeting field notes, and newspaper accounts. The paragraph or topically related sentence became the unit of analysis to fit into topical themes by: <sup>1</sup> sources of policy innovation; <sup>2</sup> risk avoidance; <sup>3</sup> challenges to students access; <sup>4</sup> governance tensions and the policy process; <sup>5</sup> political versus rational policy development; and <sup>6</sup> future challenges for higher education. With these categories, coding sheets were created for further analysis of trends and sub-themes. As another step toward trustworthiness, the study employs peer debriefing techniques by sharing the narrative summary with active participants in the policy process who are also familiar with the research design strategy.

## **RETRENCHMENT DECISIONS IN TENNESSEE**

As noted in Boyd (2002) Tennessee will experience long-term financial difficulties as a result of its structural revenue problems. Because of these revenue problems, the state's higher education system was forced in 2002-03 to make substantial cuts to personnel, academic programs, and services. Unlike many states that only have to adjust during weak economies, Tennessee had to realize that its budget shortfalls were not temporary and could not be remedied with shallow, across-the-board cuts. Unlike other states that are just now beginning to experience downturns in state revenues, the fiscal difficulties in Tennessee have been present for almost a decade (SREB, 2003). Therefore, the series of policy steps undertaken in Tennessee may serve as a benchmark for retrenchment activities in other states that are presently facing systemic economic crises rather than cyclical downturns in the economy.

The decade of the 1990s was not kind to Tennessee higher education. The state faced a multiplicity of federal lawsuits and mandates in the areas of K-12 education, health care, prisons, and mental health. Additionally, the state was limited by an outdated tax structure that relied

Cost of Attendance Comparisons 2000				
State	Median Household Income	Tuition and Fees - 4 Year	Tuition and Fees - 2 year	Total Cost of Attendance - 4year
Alabama	\$34,135	8.9%	5.0%	22.7%
Arkansas	\$32,182	11.9%	3.2%	25.5%
Georgia	\$42,433	7.6%	3.5%	19.2%
Kentucky	\$33,672	9.8%	3.5%	22.9%
Mississippi	\$31,330	9.9%	3.4%	23.2%
North Carolina	\$39,184	7.0%	2.3%	20.0%
South Carolina	\$37,082	10.1%	3.5%	23.6%
Tennessee	\$36,360	10.1%	3.9%	22.8%
Virginia	\$46,667	8.4%	2.5%	20.6%

heavily on a sales tax to fund general state government. The inelasticity of Tennessee's tax structure prevented many aspects of state government from fully serving their needs of their constituents, but was especially unkind to higher education, who missed out on the golden boom that was experienced by many states in the 1990s (Callan 2002). As a result of limited tax revenues, higher education in Tennessee increasingly relied upon student fees to offset decreases in state appropriations. This policy direction, while well intentioned, was short-sighted because of the limited discretionary income of the state's citizenry. Given that the median household income for Tennessee in 2000 was \$36,360, a great majority of the state's residents have been placed in a position in which access to college is unaffordable. As noted in *Measuring Up 2002*, approximately 22.8 percent of median household income is required to cover the total cost of college attendance in Tennessee.

Given the limited earnings capacity of the state's citizenry, many policymakers in Tennessee have begun to discourage higher education from relying so heavily on large-scale tuition increases to offset declining state appropriations. Even though additional state revenues for higher education are not available, the legislature has been under intense constituent pressure to control escalating college costs. This political pressure resulted in the implementation of legislatively mandated limits on tuition increases for 2002-03. While these "caps" were politically popular, they severely undermined the ability of higher education to avoid large scale cuts in that fiscal year by implementing offsetting fee increases.

The tuition debate in the legislature was closely linked to on-going budgetary discussion in both chambers regarding tax reform. For over three years, the legislature flirted with the implementation of a state

income tax as a means to overcome structural inadequacies in the revenue structure of Tennessee state government. The inability of the legislature to reach an agreement on the income tax brought the state to a breakpoint in the summer of 2002. This breakpoint was reached during a legislative impasse in the early summer of 2002 and an eventual one week government shutdown during early July of 2002. Unable to reach a settlement to the budgetary impasse, summer school classes were abbreviated, and higher education was left in a very unstable budget situation for the remainder of 2002-03. Complicating matters further, a five percent impoundment occurred in spring 2003. Clearly, potential policy and structural changes for the academy were of paramount importance.

### ***The Plan of Action***

As a result of this systemic budgetary malaise, the Tennessee Higher Education Commission (THEC) issued the *Plan of Action*, a revision to its 2000-05 *Master Plan*, aimed at promoting a realistic response to the educational and fiscal challenges facing Tennessee (for a summary see Appendix A). Given the austere funding situation, and the limited hope for additional investments in the foreseeable future, THEC posited that higher education could not continue to operate under the modus operandi of “business as usual.” While the traditional goal of providing access for all Tennesseans remained constant, THEC argued that higher education should also remain mindful of its responsibility to provide the highest quality educational product to the taxpayers of Tennessee. The *Plan of Action* was centered upon balancing this tension, and worked to provide assurances that institutions would continue to offer the highest quality education possible, while constantly seeking to operate efficiently and making the best use of technology.

The policy initiatives outlined in the *Plan of Action* were designed to encourage Tennessee colleges and universities to strategically position themselves to maintain the highest level of academic integrity and quality even though state support has been inadequate. While THEC acknowledged that many of the proposals contained in the *Plan of Action* could have a short-term adverse impact on the traditional access goals of Tennessee higher education, it was the hope of the Commission that the resulting examination of programs and services would induce institutional mission reclassification and adjustment in which campuses would focus on specific areas of emphasis (THEC 2002).

In an effort to answer the call to maintain a proper balance between access and quality, the *Plan of Action* aimed to identify significant dollars to be reallocated from discontinued programs and services. By design these savings could be applied to programs and services deemed of higher strategic need for the state of Tennessee and/or those that were most in-line with institutional strengths and mission distinction. Given the labor-intensive nature of colleges and universities and the need to phase-out programs over time, savings for reallocation would be realized over a multi-year period. Through this redirection of resources, it was the hope of the Commission that the structural changes would produce a more distinctive and focused system of higher education whose campus reputations are derived less from enrollment size and more from imagination, creativity, and quality of academic programs (THEC 2002).

#### ***The Plan of Action - Policy Recommendations at the State Level***

In an effort to balance the needs of an undereducated populace, but with a careful realization that enrollment growth must be managed, THEC proposed the establishment of enrollment ranges, i.e. caps, for public four year institutions. The Commission acknowledged that limitations on enrollment were contentious, but such limitations were driven by THEC's desire to maintain the highest level of institutional quality given insufficient state support for public higher education. The Commission recognized the threats to economic and social development of limiting access. However, given the probability of continued limitations in state support, coupled with projected enrollment growth that would further strain institutions, their staff reached the conclusion that such caps were inevitable.

Rather than capping overall enrollment levels, the THEC staff was charged to work cooperatively with the governing boards and institutions to construct an enrollment management policy that promoted access and institutional flexibility, but maximized the efficient use of scarce state resources. Many institutions, especially those of the Tennessee Board of Regents system, called for THEC to adopt the concept of institutional right sizing. This strategy of institutional "right sizing" was based on calculations of current student-faculty ratios, availability of adjunct instructors, and decreased release time to existing faculty. While acknowledging the merits of the concept, the Commission staff argued that one of the potential dangers of moving to a right size scenario, given the present funding environment, is that it may

lead to further formula inequality when additional state funds are actualized. The funding formula in Tennessee has historically served to articulate the true needs of public higher education, and has provided a source of equity in an unstable funding environment. While the formula has not been fully funded since 1986, it has ensured that all institutions are treated equitably in the resource allocation process, whether or not new money was available. THEC staff argued that to allow institutions to grow uncontrollably would cause irreparable harm to the long-term stability of the funding for higher education in Tennessee.

The second policy recommendation, increasing admissions standards, was linked to the desire of THEC to manage enrollment. The Commission recommended that during the 2002-03 academic year, universities should review and/or revise their admissions standards so that admissions requirements will promote and help insure student readiness for college level work. Institutions were expected to phase in revised admission requirements over the next three academic years consistent with the revised enrollment management policy detailed above. Additionally, THEC recommended that these standards be revised in conjunction with the ongoing efforts of the Tennessee P-16 Council to create a seamless educational system in Tennessee.

In another effort to redirect resources, the Commission approved significant changes to the state's long standing remedial and developmental education program. THEC staff recommended that state appropriations for remedial education be phased out immediately for the university sector effective with the appropriations recommendations for 2003–2004 fiscal year. Additionally, the Commission recommended that state support for developmental education at the university level be reduced to \$150 per credit hour, which is comparable to current community college per-student funding rates. It was the intention of the Commission that this initiative would allow universities to continue to serve their mission specific access goals, but would provide a level of per-student support consistent with that of the community colleges.

Moving to academic programming, the Commission asserted its statutory responsibilities for new academic program approval, and systematically limited the development of new academic programming across the state. However, in an effort to return flexibility and discretion to the campuses, the Commission repealed its moratoria on new programming effective with the ratification of the *Plan of Action*. While the

Commission encouraged programmatic innovation, it stressed that new program proposals must be tempered by economic and educational realities. Additionally, due to fiscal uncertainties and the educational needs of the state, the Commission clearly stated that it would grant primary attention to undergraduate programs and strongly discouraged further growth and proliferation of graduate and doctoral programs. Furthermore, the Commission, in cooperation with governing boards and institutions, undertook a review of existing academic programs, focusing on high-cost and low-producing programs. The end goal was program termination, with the expectation that institutions would retain savings from such action for deployment to more strategic needs (scholarships, program enhancement, faculty salaries, etc.).

In all, over 230 low-producing programs were identified by the Commission for campus review. Over the course of the spring 2002 semester, each of the public institutions in the Tennessee Board of Regents and the University of Tennessee systems conducted internal reviews of the programs that were identified by the Commission. A myriad of quantitative and qualitative factors were utilized to assess program viability. Using data points such as accreditation information, program reviews, undergraduate credit production and graduation rates, 62 academic programs were identified at the campus level for phase-out and termination. The savings realized from this funding adjustment would be retained by the institution and become available for documented redirection towards the academic core, faculty salary improvements, or other institutional priorities.

While the recommendations detailed above were met with opposition, the outcry was tepid compared to the criticism created by THEC's recommendation to phase out state support for athletic programs. In an act of bravery, or sheer futility, the Commission openly questioned the merit of subsidizing intercollegiate athletics with state appropriated funds. The Commission argued that at a time in which institutions were forced to trim payrolls and increase class sizes, the decision to subsidize athletics should be revisited. While this decision was met with quiet support by the faculty, the political opposition was formidable. As a result, this recommendation was ultimately diminished in scope. As a compromise to the original policy which called for the total diminution of state support, a taskforce was created and charged with identifying all athletic expenditures and offering proposals for significantly reducing the state subsidy for athletics. In the

interim, the *Plan of Action* capped state education and general operating support for athletics at an amount comparable to 2001-02 actual expenditure levels, accommodating increased scholarship costs resulting from 2002-03 fee increases. Additionally, THEC charged each institution with the responsibility of annual disclosure of its spending choices regarding NCAA athletics.

TENNESSEE HIGHER EDUCATION COMMISSION ANALYSIS OF ATHLETIC GENERAL FUND SUPPORT									
Institution	Fiscal Year 1998-99			Fiscal Year 1999-2000			Fiscal Year 2000-01		
	Total E&G	Athletic General Fund Support	Percentage	Total E&G	Athletic General Fund Support	Percentage	Total E&G	Athletic General Fund Support	Percentage
Austin Peay	\$45,309,440	\$1,749,537	3.9%	\$47,126,448	\$2,104,333	4.5%	\$50,046,100	\$1,859,549	3.7%
East Tennessee	83,580,420	2,341,684	2.8%	86,182,877	2,401,072	2.8%	90,122,900	2,780,300	3.1%
Middle Tennessee	124,381,413	2,758,705	2.2%	129,516,836	4,130,761	3.2%	143,859,200	4,856,000	3.4%
Tennessee State	71,812,608	2,448,666	3.4%	72,114,096	2,663,370	3.7%	83,837,200	3,467,380	4.1%
Tennessee Tech	63,948,010	2,291,682	3.6%	63,156,748	2,600,880	4.1%	67,487,000	2,803,170	4.2%
University of Memphis	174,710,016	2,401,003	1.4%	184,441,983	2,179,664	1.2%	200,976,100	3,763,386	1.9%
<b>Subtotal TBR</b>	<b>\$563,741,907</b>	<b>\$13,991,277</b>	<b>2.5%</b>	<b>\$582,538,988</b>	<b>\$16,080,080</b>	<b>2.8%</b>	<b>\$636,328,500</b>	<b>\$19,529,785</b>	<b>3.1%</b>
Chattanooga	\$29,988,279	\$154,515	0.5%	\$30,122,562	\$162,223	0.5%	\$32,497,500	\$150,000	0.5%
Cleveland	11,933,638	133,213	1.1%	12,119,425	150,585	1.2%	13,506,100	130,129	1.0%
Columbia	15,360,077	171,300	1.1%	15,529,538	180,132	1.2%	17,713,300	141,000	0.8%
Dyersburg	8,260,213	129,457	1.6%	8,266,481	145,731	1.8%	9,034,900	79,300	0.9%
Jackson	14,091,945	148,663	1.1%	14,417,954	155,263	1.1%	16,023,500	135,000	0.8%
Motlow	11,568,813	134,512	1.2%	12,007,729	134,721	1.1%	12,939,600	118,500	0.9%
Roane	20,938,075	147,713	0.7%	21,978,258	164,188	0.7%	24,018,800	115,500	0.5%
Southwest	49,445,082	199,106	0.4%	48,480,481	247,143	0.5%	53,082,700	195,000	0.4%
Volunteer	21,200,043	196,437	0.9%	21,811,100	186,868	0.9%	25,188,500	150,000	0.6%
Walters	21,090,012	162,404	0.8%	21,624,894	175,180	0.8%	23,874,500	147,400	0.6%
<b>Subtotal 2-Year</b>	<b>\$203,876,177</b>	<b>\$1,577,320</b>	<b>0.8%</b>	<b>\$206,358,422</b>	<b>\$1,702,034</b>	<b>0.8%</b>	<b>\$227,879,400</b>	<b>\$1,361,829</b>	<b>0.6%</b>
UT Chattanooga	\$63,639,857	\$2,835,571	4.5%	\$65,999,307	\$2,634,598	4.0%	\$68,614,312	\$2,623,950	3.8%
UT Martin	43,834,157	1,811,706	4.1%	45,197,374	1,825,251	4.0%	47,448,719	1,953,434	4.1%
<b>Subtotal UT</b>	<b>\$107,474,014</b>	<b>\$4,647,277</b>	<b>4.3%</b>	<b>\$111,196,681</b>	<b>\$4,459,849</b>	<b>4.0%</b>	<b>\$116,063,031</b>	<b>\$4,577,384</b>	<b>3.9%</b>
<b>Total</b>	<b>\$875,092,098</b>	<b>\$20,215,874</b>	<b>2.3%</b>	<b>\$900,094,091</b>	<b>\$22,241,963</b>	<b>2.5%</b>	<b>\$980,270,931</b>	<b>\$25,468,998</b>	<b>2.6%</b>

In their final major element of the plan, THEC created a taskforce to revise the funding formula that has supported Tennessee higher education for over two decades. Although the formula ensured that all institutions were treated equitably in funding decisions, many of its central principles were outdated and in need of revision. In this revision of the formula, the Commission staff was charged to examine the formula's primary reliance on enrollment, the development of new funding peers, and the possibility of creating "mission enhancement" features that recognize and strengthen the development of distinctive missions for each campus and that recognize campus performance in meeting state goals such as improved persistence and graduation rates.

### *Campus Reaction to the Plan of Action*



In a twist of irony and just prior to release of *Plan of Action*, the Tennessee Higher Education Commission published data that showed an increase of approximately 4,000 more high school graduates in Tennessee by the year 2006. This projected increase in demand for access to post-secondary education arrived during a time of decreasing state resources available for public postsecondary education, increasing calls for public accountability of higher education, and increasing tuition and fees. The need for affordable access served as a critical public agenda goal during the discussions surrounding the *Plan of Action*. This discussion was articulated in media outlets, public forums, and in the halls of the state legislature. As previously noted, the 2002 legislative session was extremely contentious, torn by debates over revenue bills, tax reforms, and struggles to fund general state government. Elected officials lamented the impact of appropriations reductions on access, but called for higher education to control fees in an effort to ensure access. For the first time in Tennessee, the legislature placed a maximum limit on fee increases during the 2002-03 academic year.

As a result, the higher education community in Tennessee finds itself in the position of struggling between the goals of increased access and commitment to quality. While the legislature limited fee increases, it also asked higher education to absorb a nine percent reduction in overall operating expenses for the 2003-04 academic year. The overall budgetary reduction was in excess of \$100 million, which represented almost ten percent of total appropriations for higher education. These reductions had significant and permanent impacts on institutions across the state.

While recognizing the struggle to balance quality and access during a time of severe fiscal constraints, the twenty-two institutions across the state began a process of review and comment to the *Plan of Action*. These responses centered on the notion of responsible growth put forth by THEC but felt that institutional autonomy and regional economic development was (and will continue to be) threatened by the “one size fits all” approach to managing enrollment and budget growth. Institutions were unified in their defense of campus autonomy in decisions of retrenchment and/or efficiency. All of the four-year and two-year campuses in the Tennessee Board of Regents system offered alternative plans for cost-cutting measures and methods for streamlining operations. Tough budget decisions are about setting priorities, and as noted

by Campus Administrator 2, the policy priorities essentially come down to central issues related to “how is it going to affect our students and how is it going to affect us in working with the communities in which we live; those priorities should be largely set by the campuses within reasonable, state-level funding parameters.” (Personal interview 8-9-03).

It is within this context that the Plan of Action was implemented. The material below provides an overview of campus reaction to the Plan, and is divided into thematic areas. These thematic areas frame the data obtained via the series of elite interviews and offer a clear and concise overview of campus reactions to the *Plan of Action*.

### ***Reflections on the Plan – Sources of Policy Innovation***

As Kingdon (1984) notes, critical and difficult public policies are often brought onto the public agenda through the action of policy entrepreneurs. The Tennessee case highlights the role that such entrepreneurial entities play in the policy process. Without their presence, policy windows of opportunity are missed because of traditional pressures that portend inertia and policy inaction (Kingdon 1984). As noted by Campus Administrator 1, THEC served as the primary policy entrepreneur for retrenchment discussions in Tennessee.

“In my opinion, none of this would have happened if it hadn’t been mandated by the Commission. This is not the kind of thing that the campuses are not going to come up with, agree upon, etc. unless they have to because it is not to their advantage. For example, there’s no point in reducing credit hour to degree if nobody else is doing it. It wouldn’t have happened without mandates. And it wouldn’t have happened as quickly. Campuses would not come up with these proposals unless THEC brings presidents together and mandates changes, then the institutions come up with these programs” (personal interview 8-2-03).

Campus Administrator 2 supported this conclusion, noting that “the impetus was to be pro-active in light of the fiscal situation. To try to identify, knowing that we were going to have to cut, to try to do it in a way that protected the integrity of higher education and protected our image. The importance of this action was that we were taking control of this, determining what we could do, that we were cooperating with the Governor, and that we wanted to do it in a way that maintained integrity” (personal interview 8-2-03).

### ***Reflections on the Plan – Risk Avoidance and Wearing the “Black Hat”***

One of the central elements of the *Plan of Action* from the Commission's perspective was that it could provide political cover for institutions to make difficult programmatic cuts. The Commission envisioned its role as a lightning rod for political pressure, a role consistent with Meier (2000). While the Plan did not provide undiluted autonomy for the institutions as envisioned by Wilson (1989) it did attempt to insulate them from external political pressures. While many campus administrators utilized the Plan to compel action, others felt that it provided little to no opportunities to shield them from internal and external political pressures. The following responses provide insights on this thematic area:

- In the final analysis, I'm not sure how much cover we had as presidents. For example, it would have helped to have defined direction on how to deal with reduced revenue. Instead, institutions had to struggle with reduced faculty levels.
- While cover is nice, I don't think it's exactly a Teflon vest; it's a sheet, and bullets go through sheets.
- While the Commission tried diligently to provide cover, very little was given in the end. THEC, because they were one step removed from the pain of the cuts, really was not on the front lines of having to ultimately answer for the consequences of these policies.
- Many of the decision that I made as a president as a result of these policies were the most difficult that I have made during my term. Yes, the retrenchment policies gave me cover, but they were the right thing to do. The timing was consistent because we were looking to do some of these things anyway.
- When I wanted our campuses to scale back and save money and time, I stood in the background and pointed at this THEC thing. So I wore the hat in that instance, but not as black as the THEC hat. This helped make some of the decisions workable for our campuses.

While the Commission may have tried to give cover, campus reaction to this stated goal was mixed at best. Many institutional leaders, especially presidents, noted that many of the issues were extremely intimate, thereby making cover difficult. As noted by Campus President 3, "the closer and closer you get to campuses, the more personal it becomes. These are the people that you go to church with, these are the people that you live with, are in Rotary club with and it becomes difficult. That's why a body like THEC needs to do what it did, step to the front and take the pressure off of the campuses and give us cover" (personal interview 8-20-03). As several respondents noted, retrenchment decisions are extremely difficult because the majority of institutional costs are personnel related and major reductions in staffing are inherently difficult. In sum, while the Commission staff did give cover to some institutions, especially those

that made hard decisions to terminate athletics programs, it did not provide undiluted protection for campus administrators.

### ***Reflections on the Plan – Challenges to Access***

One of the main challenges to the THEC plan was that access did not have to be sacrificed in place of academic quality. The potential diminution of access goals was not palatable for many in the postsecondary community. Tennessee higher education has historically championed the goal of affordable access, especially for minorities, veterans of the armed services, and non-traditional students. As a result of their commitment to long-standing access values, many institutions worked diligently to craft a response to the Plan that promoted access, yet protected quality. The outcome of this effort, the “right size” proposal, was ultimately shelved by the Commission staff in favor of across the board caps on first time freshman in the university sector. Campus officials noted that this policy may be palatable in the short term as a means to channel new enrollment growth to the community colleges, but the long-term feasibility of this policy will be tested by the recent passage of Tennessee’s merit scholarship program during the 2003 legislative session.

This program, the Tennessee HOPE scholarship, is a broad-based merit aid program modeled after traditional programs such as Georgia’s HOPE scholarships. While the program shares many of the merit characteristics of the Georgia program, it is more broad-based and contains several need-based elements. Preliminary research projects that over 65 percent of recent high school graduates will qualify for this program (TSAC, 2003). Because such a large number of students will potentially qualify for the awards, the scholarship program will inevitably lead to increased pressures for access to post-secondary education. The tension between this reality, and the enrollment components of the *Plan of Action* was a common theme across the elite interviews:

- The big unknown in all of this is the lottery. Will more students be able to get into UTK, and will Knoxville take them? If not, the entire enrollment cap concept may go up in flames.
- I don’t see this [enrollment caps] happening, quite frankly, in any meaningful way because of the scholarships. The goal of channeling more students to the community college level is admirable, but the enrollment caps aren’t going to cause this change.
- The lottery scholarships will increase enrollments in the universities because you have to meet GPA or ACT requirements, which are pretty high. So, I don’t think many of our students who get a lottery scholarship are going to want to go to the community colleges.

- If THEC tries to enforce these caps, there are going to be a lot of unhappy people out there floating around. The lottery and these caps are on a collision course because we do not have the capacity to handle these students at the community colleges. We simply do not have the space to implement this idea, but we are going to have to find a way. It's like two trains on the same track headed for disaster.

The future increase of high school graduates in Tennessee was an area of great concern for all of the participants in the study. As noted by Campus Administrator 2, “this growth coupled with the continuing decline in available state funding per student is troubling and has to be creatively dealt with to avoid in impacts on quality of instruction” (personal interview 8-9-03). Tennessee has relied upon increased tuition and fees to sustain budgets since the mid-1990s. From 1993 to 2001, revenue from tuition and fees increased 72 percent in Tennessee while revenue from state appropriations increased 27 percent. According to data from the Southern Region Education Board, state appropriations for higher education increased by 14.9 percent in Tennessee from 1995 to 2001 – the lowest figure among all 16 SREB states. West Virginia was next lowest at 18.4 percent and Alabama next at 21.1 percent. On the other end of the list are Kentucky (47.9 percent), Louisiana (48.2), Florida (54.5), and Virginia (66.1). This trend is troubling and as noted by College President 4, “unless the state can make more of a commitment to higher education, the only recourse that we have is tuition and fees, and at some point this will negatively impact access” (personal interview 10-20-03).

One defense of statewide enrollment management initiatives cites the benefit of handling the influx of high school graduates in Tennessee by channeling students into community colleges for the first two years of their education and then encouraging them to finish at Tennessee's four-year schools. If the state chose to cap enrollments at current levels or even to reduce them by a percentage, then students at various points would be forced to pursue education and training in the two-year college sector. Compelling arguments can be made in favor of this move. Prominent among them is the assertion that, in times of fiscal decline, quality is sacrificed when access continues to be a priority. It follows that the state budgetary pie is only so large, and can only be cut into a limited number of pieces. As noted by Governing Board Administrator 3, “the state has to serve its current students well before it can serve more students” (personal interview 10-22-03).

Opponents to state-wide enrollment caps contend that there will be serious drawbacks to forcing more students into the two-year sector. Educational attainment levels, participation rates, and retention rates will all be subject to decline rather than getting better. While the two-year sector is able to provide an affordable access point for students, it is an environment that does not possess the same level of student development services and support networks that are found in a four-year setting. Opponents also note that several barriers are presented that handicap students upon entrance to community colleges: high levels of attrition, difficulty in transferring to four-year schools, and high levels of attrition after transfer. As noted by Governing Board Official 1, “if the move is made to steer more students toward the community colleges, a greater financial commitment must be made by the state to provide assistance for students moving through the system, otherwise, the cracks that students fall through at the current time could become wider, and we will really have a retention and persistence mess on our hands” (personal interview 9-21-03).

### ***Reflections on the Plan – Governance Tensions and the Policy Process***

The Tennessee experience offers several intriguing observations related to the role of coordinating boards in the policy development process. As noted in Crotty and Meier (2003) coordinating boards provide an interface between state government and the governing boards, focusing on state-wide policy concerns. Coordinating boards are limited in their ability to directly impact campus operations and have less power and authority than governing boards. The Tennessee experience is unique because THEC assumed a broad degree of policy responsibilities in the *Plan of Action* that are traditionally reserved for governing boards such as academic program termination, line item budget reductions (athletics), admissions standards, and instructional site closures.

Several respondents noted that THEC was forced to assume this role because the governing boards in Tennessee avoided their traditional duties during the difficult budgetary years of the late 1990s. As noted by Campus President 2, “many of the things THEC is doing are being done because our governing boards have refused to act. We have been drying up for over five years but have continued to hold out the hope that the cavalry would arrive. THEC was the first to admit that there will be no new revenues and should be given credit for acting when no one else would” (personal interview 10-15-03). While several respondents noted

that action was needed, a common theme of the interviews was that the *Plan of Action* walked a fine line between coordination and governance:

- Those things that were overly prescriptive about how to achieve certain budget reductions, I think, were seen as a little bit of a threat, that is a threat to autonomy more so than it was a threat to day-to-day activities.
- The role of THEC is that they should look at the state line, the border of Tennessee is their campus. They should always look out for the best interests of Tennessee, which means that at time they need to restrict a campus or push a campus to do more. Looking at the big picture, they shouldn't be involved with day-to-day operations of a campus. That's the board's job.
- UT really sat on the sideline during this stuff. Their view was that cooler heads will prevail and the budget was not as bad as THEC was portraying. In the end, they could not have been more wrong. Because they would not act, THEC had to, but the end result is not good for governance in Tennessee. THEC may have really overstepped their bounds and this will have long-term consequences.
- The governing board's effectiveness is questioned in some circles. As a result, THEC tried to show the legislature that they need to be seen as addressing the issues and are effective leaders for higher education.
- THEC shouldn't be involved with the details of our campus, but they should be involved with defining the missions of institutions. This is where both boards have dropped the ball by allowing all our campuses to pretty much look alike. This is where you get into waste of resources. As a result of the governing boards shirking this responsibility, THEC has gotten involved with mission creep.

The observations gleaned from the elite interviews provide insights to many of the policy innovation themes addressed by Hearn and Griswold (1994). Because THEC centralized retrenchment decision-making at the state level, they were able to control the policy development process. This development supports the findings of Hearn and Griswold that higher levels of centralization are associated with higher levels of innovation. Furthermore, the Tennessee experience suggests that further research is needed into their second hypothesis - strong coordinating boards may be associated with higher levels of innovation than consolidated governing boards.

### ***Reflections on the Plan – Political versus Rational Policy Development***

A review of campus reactions to the *Plan of Action* reveals that the rational policy objectives articulated by coordinating boards such as THEC must be closely aligned with campus priorities if such entities are to bring rationality into the policy process (Wildavsky, 1988). If state and campus priorities conflict, the decision making process becomes mired in politics and garbage can processes (Kingdon, 1995). In the Tennessee case study, the coordinating board tried to assert its traditional role in the bureaucratic

decision making process (Nachmias and Rosenbloom, 1980) but was thwarted by political forces. For example, the state coordinating board's suggestion to curtail intercollegiate athletics expenses was met with responses ranging from veiled threats to cold hostility. A few presidents, in quiet and private moments may have yearned for the Commission to wear the "black policy hat" because few college presidents can afford to get off the back of the athletics tiger without being eaten alive. However, the public and political pressures exerted on the coordinating board precipitated public policy by muddling through, as limited action was undertaken to balance the tension between academic cost cutting and athletic expansion. Similar examples were evidenced across the Commission's efforts to terminate academic programs, institute enrollment caps, elevate admissions standards, and close off-campus instructional locations.

While the process through which many of the elements contained within the Plan of Action was inherently rational, the ultimate manner in which they were implemented displayed political tendencies. This finding that the development and analysis was rational was a consistent theme of the interview respondents:

- There was some element of politics, in terms of the image of higher education, that we be part of the solution. But it was definitely rational in the development and analysis of the issues.
- THEC's *Plan of Action* took what could have been a really political exercise, looking at academic programs, and put forth a list of questions and criteria by which programs would be evaluated. At a core, this is as rational as you can get.
- I'll give THEC credit [because] there was ample opportunity to weigh in. THEC put forth the short list and then allowed response to it. I guess you could call this bounded rationality, but it was a rational process for policy development.
- Some of the policies were rational and based on sound management principles, such as remedial and developmental courses at university. Some were not, such as enrollment caps and athletics.
- Athletics was not rational because virtually all institutions lose money on athletics. It was a shell game—moving money. My opinion is that some were more rational and reasonable than others.

Correspondingly, the interviewers were unified in the response that the ultimate implementation, and that the initial onus for the *Plan of Action* was inherently political. Not only did politics impact the form and scope of retrenchment decision in Tennessee, several respondents suggested that the entire purpose of the Plan was political in nature. Many respondents suggested that while the *Plan of Action* was centered on the noble goal of cost reduction, it was also influenced by the desire for institutional sustainability, a theme consistent with traditional bureaucratic decision-making literature (Downs, 1967; Rourke, 1984; Seidman and Gilmour, 1986). The following quotes shed light on this theme:



- The retrenchment process in Tennessee was a rational attempt to deal with complicated issues that had the potential to be handled in an overly political manner. However in the end, politics always triumphs over rationality.
- While THEC claimed that this was a rational process, they were trying to gain favor with the governor and the legislature. These things may save money in time, but the intent was to promote THEC.
- THEC needed the Plan of Action. There is no doubt that the Plan of Action was something that helped THEC because they were going through sunset review. Dr. Rhoda and the staff needed to step up to the plate do some things very publicly to show that they were a player in higher education governance. The Plan of Action did that for THEC.
- In some ways THEC was dealing with these problems because the legislature, in a sense, said either you deal with these things or we'll deal with them. THEC may look like the sage policy guru, but they really had no other choice but to force the governing board's hand.

In sum, while policy scholars (Callan, 2002) call for coordinating boards to promote state-wide initiatives and agendas, the ability to exercise this role is realistically tempered by local and state-wide political pressures. Scholars and practitioners alike must be mindful of the practical limitations of the policy environment before expending precious intellectual capital developing grandiose dreams of public policy nirvana.

### ***Reflections on the Plan -Future Challenges for Tennessee Higher Education***

The future decade for higher education nationally, and especially in Tennessee will be wrought with continued financial difficulties. As noted in Boyd (2002), the ability of state legislatures to fund higher education will be challenged by antiquated tax structures, unstable revenue streams, demographic shifts, and rising health care costs. All of these conditions exist in Tennessee, and as a result, higher education may be forced to annually revisit the policies outlined in the *Plan of Action*. For many of the participants in this study, the Plan was merely a first attempt at cost reductions and mission reclassification. Several respondents noted that the Plan may actually have been “retrenchment lite” because the institutions were able to recoup much of their losses in state revenues through tuition and fee increases. As noted by Campus President 4,

“The *Plan of Action* was predicated on the notion that there would be limited, to no, new revenues available for higher education. This assumption was based on early rumblings from the legislature and the governor that they would not support fee increases. While they may have capped us for one year, thankfully the new administration allowed us to raise fees. Without these fee revenues, I cannot describe how bad things would have been. While we did cut programs, we did not cut big programs, nor fire faculty. Instead, we terminated staff

contracts and cut student services. If the legislature ever takes away our ability to raise fees to maintain a sense of revenue adequacy, the sky may finally fall. That is the danger of all of this federal talk of fees.” (personal interview 9-20-03).

These sentiments were echoed by every participant in the study. While the discussion above regarding the issue of student fees, each participant noted that the notion of retrenchment has not passed, and will most likely become the status quo in Tennessee. Furthermore, the next round of reductions will carry a greater realm of politics and pain than the deliberation on the *Plan of Action* because the latitude of cuts was absorbed under the Plan. All of that is left, according to many participants, is the very heart of the academy:

- I don't see anything except further retrenchment. I don't think it's a lack of understanding on the legislatures part or lack of information from THEC or TBR, but rather economics. To me the best hope is for Governor Bredesen to get a handle on health care costs because that has eaten up an increasingly larger share of the state pie. It does matter if the state pie increases or not, TennCare's share gets larger so there's no money for anyone else.
- And I'm an eternal optimist, so it's hard for me to say this. The governor supports higher education, but what he's saying is that there is no money. I think it's going to get worse before it gets better. And it's not going to get better before I retire. Hopefully I retire before I get retrenched.
- Where I do worry... if resources dry up, we will not be able to continue to offer access, including lottery scholarships. What do we do about capital outlay if we do need new buildings? It is hard to retrench on facilities if the enrollment is growing. Furthermore, I have \$60 million in deferred maintenance. My campus is literally falling down and I can do nothing to stop it because the revenues are simply not there.
- While we cut programs, we did not cut large numbers of faculty. I cut at the edges, but have told my campus to prepare for the worst. My contingency plans scare me to death, because I know that they will probably become reality. For all of the hoopla about THEC's athletics policies, they are at the heart of the issue. We have already seen one school cut football, and others will follow. We cannot continue to be all things to all people, and in the end we may have to choose between academics and sports.

The themes identified above shed light on the future challenges facing Tennessee. As evidenced in many states, Tennessee has relied upon student tuition and fee increases to offset declines in state appropriations. However, as noted by Gumport et al (1997), tuition increases are generally the result of financial and political expediency rather than the outcome in-depth and conceptually framed public discourse. American higher education may eventually reach a position where it can no longer look exclusively to student fees to offset declining state appropriations. As this affordability paradox emerges into reality, higher education must look internally and contain costs to ensure that education remains

affordable to the majority of the nation's citizenry (Callan, 2002). Unless corrective measures are taken, the dream of receiving a college degree may become unrealistic for the majority of Americans.

## **CONCLUSIONS**

Resource allocation decisions have dominated higher education planning since the 1980's. With fiscal constraints and heightened demands for access displaying a near universal force, many states have felt the challenge to strike a balance between strategic retrenchment and growth (Acherman, 1988; Frackmann, 1988). Because a significant percentage of higher education expenditures are devoted to personnel costs, this human resource dependent enterprise has few options available in times of state-level fiscal decline that do not cut to the heart of core operations. These decisions become even more difficult when political dynamics come to the fore and resource allocation becomes a battle between sub-units within a larger organizational structure (Pfeffer & Salancik, 1974; Ashar & Shapiro, 1990). Legislative bodies, executive branch officials, system leadership, university executive teams, and powerful interests within a given university all become combative over issues surrounding what might be eligible for elimination or redistribution.

American higher education has traditionally prided itself on the goal of providing universal access to all students. While this goal remains of paramount importance, colleges and universities must begin to strategically re-examine their mission and operating premises if they are to remain viable. In this era of post-massification, we are beginning to see a new managerial approach, one in which higher education invests in areas that will thrive in future markets. With little prospect of future revenue growth from traditional sources such as state appropriations, higher education must re-examine the panoply of programs, services, and operations to identify revenues for reallocation. Unless higher education is able to come to grips with exponential program growth and tuition, it may fall victim to the same federal pressure that has been placed on the health care industry. Unless higher education can contain costs and protect quality, it will continue to suffer a loss of public trust and will increasingly fall under the manipulative watch of legislative and executive officials. Furthermore, the decades of shifting the funding responsibility away from state appropriations and towards students' resources have not been the result of a well planned or thoughtful policy discourse. Given the critical role that higher education plays as a facilitator of human capital

development, policymakers must remain reticent to the diverse needs of all students requesting access to post-secondary education.

The lessons learned from the Tennessee experience provide opportunities to learn from their policy success and failure. All states will struggle in their effort to balance demands for access with the need to promote institutional quality. The heart of higher education's historical success is that it has been a beacon of intellectual and cultural creativity for countless generations of students. The ability of states to continue to provide the ultimate in educational quality will be tested in the coming decades by declining state appropriations and the limits of tuition and fee affordability. While higher education may be at a breakpoint, this is a unique opportunity for strategic re-direction of the academic enterprise. The ability of higher education to serve as academic and athletic supermarkets has been severely limited. The ever increasing programmatic and personnel cuts that will occur as a result of broad scale retrenchment initiatives will shape the future of the academic enterprise. While policymakers in Tennessee may not have achieved all of their stated goals, they should be applauded for their courage and valor to act. This may be the ultimate lesson of the Tennessee experience.

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## APPENDIX A

### A PLAN OF ACTION FOR TENNESSEE HIGHER EDUCATION: A REVISION OF THE 2000-05 MASTER PLAN

#### EXECUTIVE SUMMARY

The policy initiatives outlined below are designed to encourage Tennessee colleges and universities to strategically position themselves to maintain the highest level of academic integrity and quality given current conditions of funding austerity. In this *Plan of Action*, and in all considerations of reductions and redirections, the Commission will work to protect the central missions of research, instruction, and public service for Tennessee higher education. The following represents a summary of the action items central to the *Plan of Action*:

#### UNIFIED RECOMMENDATIONS

- **Admission Requirements:** It is recommended that during the 2002-03 academic year, universities review and/or revise their admissions standards so that admissions requirements promote and insure student readiness for college level work. Institutions will be expected to phase in revised admission requirements over the next three academic years. Additionally, standards should be revised in conjunction with the ongoing efforts of the Tennessee P-16 Council to create a seamless education system in Tennessee.
- **Off-Campus Locations:** It is recommended that the staff revise the existing off-campus location policy, and repeal the existing moratoria on new off-campus instruction. This policy revision should promote the maximum utilization of state resources to serve the access needs of Tennessee.
- **New Academic Programs:** It is recommended that the Commission repeal the moratoria on new academic programming. The staff is charged to give thorough consideration to state-wide programmatic needs, instructional costs, and quality when considering new programs. While the Commission encourages programmatic innovation, new program proposals must be tempered by economic and educational realities. Additionally, due to fiscal uncertainties and the educational needs of the state, the Commission will grant primary attention to undergraduate programs.
- **Funding Formula Revision:** It is recommended that the staff undertake an immediate study and revision of the THEC funding formula. The staff will examine the formula's primary reliance on enrollment, the development of new funding peers, and the possibility of creating "mission enhancement" features that recognize and strengthen the development of distinctive missions for each campus and that recognize campus performance in meeting state goals such as improved persistence and graduation rates. While access should remain an underlying principle of the funding formula, increased emphasis should be placed on student success rather than admission.

- **Program Review:** It is recommended that the staff bring forward recommendations to the Commission at the January 2003 meeting based upon the review of low producing and duplicative programs presently being conducted by the staff, governing boards, and institutions. It is further recommended that institutions retain any savings made available via program termination/consolidation for deployment to areas of strategic need.
- **Associates Programs:** It is recommended that all programs below the baccalaureate level in the university sector, other than allied health, nursing, and those programs currently offered at the Fort Campbell facility, be phased out over a three-year period, effective with the Fall 2002 semester.
- **Accountability Initiatives:** It is recommended that the state of Tennessee participate in the Delaware Cost Study of higher education costs and productivity. Additionally, it is recommended that the staff make broader use of existing accountability information, and continue to strive to improve the Commission's capacity to provide in-depth analysis of critical educational issues in Tennessee.

#### STAFF RECOMMENDATIONS

- **Remedial and Developmental Education:** It is recommended that state appropriations for remedial education be phased out at the university sector effective with the appropriations recommendations for 2003–2004 fiscal year. Additionally, the Commission recommends that state support for developmental education at the university sector be reduced to \$120 per credit hour, which is comparable to current community college FTE funding rates. The savings realized from this recommendation will be retained by the institution and become available for documented redirection towards the academic core, faculty salary improvements, or other institutional priorities.
- **Athletics:** In an effort to strike a balance between the academic and athletic missions of higher education, the Commission charges the governing boards to nominate representatives to a THEC taskforce centered on, but not limited to: <sup>1</sup> identifying all athletic expenditures; <sup>2</sup> significantly reducing the state subsidy for athletics in the short term; and <sup>3</sup> establishing athletic departments as self supporting enterprises. In the interim, the Plan of Action will cap state E&G operating support for athletics at an amount comparable to 2001-02 actual expenditure levels. Additionally, the Commission charges each institution with the responsibility of annual full public disclosure of their spending choices regarding NCAA athletics.
- **Enrollment Management:** In an effort to effectively and creatively balance the tension between access and quality, the staff recommends the placing limitations on the number of first-time freshman enrolled in Tennessee public universities. The enrollment range allows for a 5 percent enrollment growth in first-time, full-time freshman, and up to a 10 percent reduction in overall campus enrollment, with campuses to be held harmless on appropriations recommendations within the lower limit of the enrollment range. Any campus enrollment that exceeds the 5 percent ceiling for first-time freshman will not be included in the funding formula calculations. For each subsequent year, state appropriations generated by the student enrollment above the range will be deducted from the appropriation recommendation as a means to ensure that all institutions remain diligent to the notion of enrollment management.